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avoided. It should be recognized that the object of both forms of the clause is to establish equal treatment among nations and this principle should be embodied in future commercial treaties, regardless of the traditional forms and interpretations which the clause may have had in the past.

The limits of a bargaining tariff can not now be set. In the past they have not applied to tariff relations within empires. Whether our bargaining tariff policy, however, should extend to include the preferential schedules of the self-governing dominions of the British Empire is a question which can not be considered closed. These dominions are today, for all practical purposes, nations; and having assumed the rights of nations, it seems that they should be willing also to assume the corresponding obligations.

A further question is raised by the

preferential export taxes recently adopted in British West Africa and India. In the case of India, for example, an export tax of 15 per cent was imposed on hides and skins exported from India and two-thirds of this duty is remitted when exports are made with the guarantee that the hides and skins are to be tanned in the British Empire. Should we in such a case impose additional or penalty duties on *leather* and *leather goods* imported from any part of the British Empire which benefits from this special export concession? These are large problems and, since they are not such as have been disposed of under general policies of bargaining in the past, it is better to consider them as subjects for general negotiation. Nevertheless, they press for solution and those who wish to avoid trade wars and national conflict will do well to give them early consideration.

Post-War Tariff Changes and Tendencies

By BENJAMIN B. WALLACE

Washington, D. C.

THE generalization may be made that practically all countries either have increased their tariff rates since the war or are taking more or less definite steps in that direction. The statement holds even for a number of the countries whose rates are limited by treaties. The recent treaty between the United States and Siam is a first step toward the relaxation or removal of the restrictions which now limit Siamese import duties to 3 per cent ad valorem. Egypt is asking Great Britain to obtain for her a like tariff autonomy. China's tariff is limited in principle to 5 per cent ad valorem, but the rates enforced are "equivalent" specific rates, which have been revised only at long intervals, and which, in 1918, actually yielded only 2.6 per cent

of the value of the imports. During that and the following year new rates "to restore an effective 5 per cent" were worked out on the basis of the prices of 1912-1916, and the new schedule went into effect in September, 1919. Most recently the powers have agreed to a temporary surtax of 10 per cent of the duties to provide funds for famine relief, and the press has announced that this will go into operation January 16, 1921. By the peace treaties, Germany and Austria were put temporarily among the countries which might not increase their pre-war tariff rates.¹

¹ Imports from the Allied and Associated Powers were to pay for six months the lowest rates payable on similar articles on July 31, 1914. Upon vegetable products the restriction extends to an additional thirty months. (*Treaty with Germany*, Art. 269.)

They were permitted, however, to require payment in gold; and payments in paper are now accepted in Germany at 10 times, and in Austria at $33\frac{1}{3}$ times the gold rate.

Exceptions to the generalization that recent tariff changes are upwards are found in certain of the belligerent countries which pushed their revenue rates very high during the war and have since lowered or only maintained them. The removal of the Canadian war surtaxes and reductions on farm machinery may be cited. The repeal of duties upon the raw materials of a new or expanding industry is a part of protectionist policy which has been recently illustrated in Japan, Australia and the Union of South Africa. War prices led in some instances to the suspension of duties on foodstuffs and these suspensions have been largely continued, while the needs of reconstruction in Europe have led to removals of duties from machinery and building materials. On the other hand, the fall in prices in the latter half of 1920 led to the lowering of export duties on rubber, hides, wool and other products upon which unusually high duties had been levied during the period of high profits. In a few cases very high duties have been reduced, *e.g.*, France reduced the rate on automobiles from 70 to 45 per cent, and Ceylon, from 100 to $7\frac{1}{2}$ per cent. While a complete enumeration of the tariff reductions of the last two years would fill pages, they are few compared to the increases, although relatively few countries have made an approach to a general revision of their tariffs—changes have perhaps been most extensive in France, Belgium, Spain, Portugal, Argentina, Brazil, Mexico and Peru. The European states named, however, consider the changes already made merely tentative. Argentina's revision consisted in revising

the official valuations, which had remained unchanged since 1906. Canada, Japan, New Zealand, Spain and Italy have revisions in process. The governments of Chile and Switzerland have proposed revisions. Anti-dumping legislation and provision for key industries remain on the government's program in Great Britain. The transition period since the war has been too short and unsettled for statesmen and nations to determine upon large changes of policy. Trade in Europe is still, to a considerable extent, under direct government control. With the possible exception of Great Britain and her dependent colonies, no revolutions in policy have been made or seem imminent. While no other change appears likely in regard to free trade, other features of tariff policy may soon be revised on a large scale. Europe is today almost without commercial treaties, and it is too soon to predict what policies will be adopted in regard to most-favored-nation treatment, the use of maximum, minimum and intermediate schedules, and similar points. The Italian Government has expressed a preference for an autonomous tariff; *i.e.*, a two-column tariff whose lower rates may be accorded by treaty *en bloc*, but which remain alterable by the legislature.

It would be nearly as tedious as difficult to enumerate the increases of tariff rates recently made. A few isolated points may be mentioned before considering recent changes in France and the British Empire. Japan has levied 35 per cent *ad valorem* upon dyes and drugs. In Italy, which lacks both coal and iron, the tariff dispute centers around the demand of the iron industry for high protection. From Italy and Portugal to Norway there has been a general movement to restrict the importation of luxuries, either by prohibitions or by high duties.

French wines and other products have been hard hit and there is considerable tension in Franco-Swiss and Franco-Spanish relations. A feature of German tariff policy has been the use of export duties to force the prices of exported articles above the prices for domestic consumption. These duties are less extensively used now than they were some months ago. Their special purpose was to compensate for the lag between the fall in the international value of the mark and the rise of German prices. They were intended to prevent, while the mark was rapidly falling, the sale abroad of finished products for a smaller sum, as expressed in foreign currencies, than the raw material had cost. They also increased the revenue, assisted the exchange rates, and tended to conserve supplies of needed commodities and to prevent the exportation of capital.

FRENCH TARIFF CHANGES

Some months after the Armistice, the total prohibition of all imports into France, except as licensed and except from the French Colonies, was enacted as law. When the prohibitions were largely removed, after a short experiment with ad valorem surtaxes, in July, 1919, "co-efficients of increase" were introduced. These co-efficients (which have been copied in Belgium) ranged at first from 1.1 to 3; but for luxuries, upon the repeal of the later prohibition upon their importation, co-efficients as high as 7.1 are now used. By multiplying the old specific rates by these co-efficients, new rates are easily formed, which for any desired part of a schedule maintain the previous relations between the rates on different articles and between the minimum and general tariff rates. The original set of co-efficients covered all the schedules except animals, animal products, vegetable products and

crude minerals, but included wool and slate. The co-efficients are freely revised by decrees which appear at short intervals and nearly all the changes are increases. France has also participated in the movement to restrict the importation of luxuries, and from April to July, 1920, about 175 articles were on the prohibited list, and some 20 articles remain under the ban. The prohibition of luxuries met with especial opposition from a large number of manufacturers and merchants who cater to the tastes of wealthy visitors and who maintain some of the most characteristic lines of French exports. On the whole, it does not appear that the French have made excessive increases in their import duties. With the balance of trade heavily against them¹ and under severe pressure, both to raise revenue and to restrict imports, their increase in the tariff rates have not kept pace on the average with the advance of prices.

PROTECTION AND IMPERIAL PREFERENCE IN THE BRITISH EMPIRE

The British Empire demands more extended consideration. In recent decades the Empire has been sharply divided on tariff policy; Great Britain, India and the Crown Colonies have held to free trade, while Canada, Australia, New Zealand and South Africa adopted, and from time to time have extended, systems of protection. Further, these Dominions grant to Great Britain (and to some extent to other parts of the Empire) preferential tariff rates. The war has strengthened

¹ The provisional figures (based upon 1919 values) show that in January-July, 1920, France imported $\pounds 21,760,000,000$ francs' worth of goods, but exported only $\pounds 12,600,000,000$ francs' worth. In August and September the figures were: Imports, $\pounds 5,428,000,000$ francs; Exports, $\pounds 4,551,000,000$ francs—an excess of imports² not much greater than that which was customary before the war.

rather than shaken the adherence of the Dominions—now recognized as nations—to the protective policy, and has given a new prominence to the question whether the rest of the Empire should maintain its free-trade and non-preferential policy.

The British self-governing Dominions show no prospect of any substantial lowering of their protective barriers, even in respect to imports from the mother country. There is, however, in the prairie provinces of Canada, and to a lesser extent in Australia, a widespread demand for lower duties. This demand in Canada led, in 1919, to the repeal of the war tax of 5 per cent ad valorem on merchandise admitted under the preferential tariff, and to some other concessions to the farmers, and, in 1920, to the repeal of the 7½ per cent war tax on non-preferential merchandise. But the present cabinet stands firmly for an upward revision of the tariff; the commissioners who spent months in travel throughout the country heard chiefly demands for increased protection; and Canadian history makes it certain that the United States can not long impose duties on Canadian farm products and increased rates on Canadian manufactures (which seems to be the prospective Republican policy) without finding its own products subject to higher rates at the Canadian border. It is obvious to any Canadian protectionist that if the large-scale industries of the United States need further protection, much greater is the need of Canadian enterprises.

In South Africa there has been some lowering of revenue duties on articles not produced in the country, and some additions of raw materials to the free list. But a strongly nationalist (partly anti-British) feeling in South Africa, combined with the advance in industry, makes an extension of protection most probable, and an extension of the

principle of imperial preference rather improbable. Australia, alone of the British Dominions, has thoroughly revised its tariff since the war. The new rates, which went into force provisionally in March, 1920, have extended the range and raised the rates even of the preferential schedule but have increased also the surtaxes upon non-preferential¹ goods. Ninety manufactured articles are made dutiable for the first time. The object is not only to protect industries which arose during the war, but also to promise protection to some which it is expected will be established shortly. For this purpose "deferred duties" are provided—to go into effect at prescribed future dates unless the Minister of Commerce decides that the industries are not yet on a producing basis. The avowed aim is to make Australia self-sufficient and independent of long lines of communications, insofar as her raw materials provide the basis for self-sufficiency.

In India, both educated and uneducated, native and Anglo-Indian opinion is strongly in favor of protection, and has been increasingly insistent for many years upon the adoption of this policy. During the war a beginning was made in raising the rate on cotton textiles (the most important product of local factories, as well as the largest single article of import) from 3½ to 7½ per cent ad valorem, without any corresponding change in the excise duty; and since the war an export duty has been imposed upon raw hides and skins, while the tanned product remains free. Both duties are frank concessions to protectionist sentiment. Meanwhile, the establishment of self-

¹ For a discussion of the intermediate rates of the Australian tariff, see Dr. Wm. S. Culbertson's article upon "*Equality of Treatment Among Nations and a Bargaining Tariff*," page 160 in this volume.

government is the avowed objective of British rule in India, and a long step in that direction is represented by the constitution of 1919, which is now being put into operation. Under the rather vague fiscal provisions of this plan of reorganization, it will probably be impossible, as was recognized in the English parliamentary debates, for the British to introduce any fiscal policy which is heartily opposed in India, while the situation will not improbably so develop within a decade or two that Indian leaders can dictate a change of policy regardless of British opinion. Their policy will doubtless be protectionist, but two uncertainties remain: (1) the extent to which the Indian leaders will attempt when in power to carry out the ideas expressed when their responsibility was less, and (2) the extent to which they will (assuming that the British demand special favors) compromise upon the granting of preferential rates to British imperial products. The present export duty on raw hides and skins illustrates what is likely to be the Indian policy, particularly in the transitional period, when both Indian and British interests can make themselves felt.¹ This duty is levied at the rate of 15 per cent ad valorem upon all exports to points outside of the empire, but at the rate of only 5 per cent when bonds are given that the tanning will take place within the empire.

In the United Kingdom two points of recent tariff history stand out. During the war there were imposed—pri-

marily to check imports of luxuries—duties of 33 $\frac{1}{3}$ per cent ad valorem upon clocks and watches, passenger automobiles and motorcycles, musical instruments, and at specific rates upon cinematograph films and matches. These duties have been maintained since the war and obviously are heavily protective. The maintenance of these duties has been the subject of much discussion, and is optimistically regarded by many "tariff reformers" as the beginning of a general system of protection. Secondly, by the budget bill of 1919, not only these duties but the revenue rates upon tea, coffee, cocoa, sugar, dried fruits, tobacco and alcoholic beverages were reduced in favor of colonial products, *i.e.*, the principle of imperial preference was accepted for the whole of the limited tariff schedules of the United Kingdom. The immediate effectiveness of these preferential rates has been unimportant, since Indian and Ceylon teas already dominated the English market, and only small quantities of the other dutiable articles¹ are derived from British possessions. The significance lies in the acceptance of the principle—which the Governor of Jamaica has termed the "imperial principle"—that, however free different parts of the empire may be to determine their tariff policies and rates, a preference of about one-third shall be granted to imports from other parts of the empire. Characteristically, this "imperial principle" has not been forced upon the crown colonies. The recent extension of preferential tariffs in the British West Indies is clearly a reflection of Canadian rather than of British policy, and in nineteen months the action of Great Britain has been followed only by the

¹ An official commission has lately come to the conclusion that India is likely neither to gain nor to lose much by the adoption of a policy of imperial preference; this leaves the way open from an economic point of view for the adoption of a plan embodying a general system of protective import and export duties with preferential rates for the British Empire—the question remains whether the political situation will make this a satisfactory compromise to the Indian Protectionists.

¹ Except cocoa and rum. The Chancellor of the Exchequer estimated that the new rates would reduce the revenue from tea by £2,000,000, and from all other articles by £1,000,000.

introduction of a general preferential system in Cyprus,¹ and of preferential export duties on palm kernels from the four British West African colonies, on tin ore² from Nigeria, and on hides and skins from India. These differential export duties revive a long-abandoned mercantilist policy, the reservation of colonial raw materials for the use of the mother country. The general extension of this policy to the enormous resources of the British Empire would almost of necessity inaugurate tariff wars, if not more open hostilities. It is too soon, however, to affirm that the British free-traders have suffered ultimate defeat. They have strong allies in their opposition to many of the duties which are most prominently suggested. The textile and other consuming industries aggressively opposed different proposals for the restriction of the importation of dyestuffs, and finally compromised upon a licensing system only when they were conceded a large representation on the advisory board,³ with whose assistance the Board of Trade is to determine what dyes can be satisfactorily produced in the United Kingdom and what are to be allowed to be imported.

POST-WAR REASONS FOR PROTECTION- IST SENTIMENT

During the war there was little demand for protection and few were the modifications in protective tariffs, except where revenue was the aim. The belligerents controlled trade by prohibitions, embargoes, licensing and

rationing systems, requisitions and government monopolies. As they concentrated their energies upon the struggle, and as shipping became scarce, they permitted the importation of almost nothing which could be produced at home. While they made efforts to maintain "business as usual," and to keep up their export trade to balance the necessary imports, the neutrals had difficulty rather in obtaining supplies than in protecting their markets against competition. To state it baldly, during the war there was no foreign competition; abnormal conditions afforded complete protection, without recourse to tariffs. These conditions continued after the armistice. At the close of hostilities the inability of manufacturers immediately to resume operations on their previous scale, the enormous demand to replenish consumers' and merchants' stocks, and the continuance of government control over many lines of trade, prevented the rapid development of the feeling that protection was needed. An automatic measure of protection was indeed afforded by the great advance in land and ocean freights, a protection frequently brought to notice in markets so remote from industrial Europe as South Africa and Australia. But as reconstruction has proceeded and manufacturers have come finally to find that buyers no longer press upon them, there has arisen almost a world-wide demand for protection. As *The Economist* put it, traders have become soft. "Now, if the smallest cloud of possible competition is seen on the distant horizon, there arises a shriek for the very stiffest kind of protection."¹ But softness and other psychological factors supply no adequate explanation; and the acquiescence of the public needs explanation—the demands of the manufacturers we have always with us.

¹ *The Economist*, Sept. 20, 1919, p. 455.

¹ Preferential rates were established in Malta also, but were repealed after a few months.

² By exception differential export duties had been imposed in 1903 upon tin ore from the Federated Malay States.

³ The Advisory Board is composed of five representatives of the industries which consume dyestuffs; three representatives of the makers of dyes; and three representatives of the public, one of the last being chairman.

For a while the belief that Germany had great stores of products to be "dumped" abroad alarmed other markets. The "war after the war" is appealed to as a special reason for protection against the reviving industries of Germany. There is also the increase of national feeling, the hatred of enemies, and the suspicions of neutrals, which make easy the appeal for support for anything which can reasonably be denominated a national interest. Manufacturers naturally realize acutely their own difficulties and the increased costs under which they operate, but realize only vaguely that costs have risen on a similar scale in other countries. The manufacturers of those countries which participated in the war for longer periods or on a greater scale feel that, as compared to manufacturers in the United States and Japan, to say nothing of neutral countries, they have suffered from more violent disturbances and are subjected to heavier taxation. The belief that the United States grew rich from the war still causes resentment. More specifically, in countries whose currencies have depreciated, increased protection is demanded in order to keep imports at a minimum and to restore exchange rates; but where currencies stand relatively higher, protection is urged against imports from countries to which cheaper currencies are alleged to give the advantage of unduly cheap production. The relative decline of specific rates of duty (used in practically all protectionist countries, other than the United States and the British Dominions) during the rise in prices has supplied a plausible argument for an advance of rates. The realization of the possible consequences of dependence upon a foreign country for even a minor article such as hosiery needles, and the revelation of the connection between the dye in-

dustry and modern explosives, has led to the view that the establishment of many "key industries" is vital to national safety. In Great Britain there is in addition the *fait accompli* of protective duties imposed during the war upon a few manufactured articles, and there is the feeling that the Dominions have earned the right to special consideration in imperial policy, specifically to the imposition of protective duties from which articles of colonial production should be partially or wholly exempt. In the same way Australian ministers referred to the heavy sacrifices of Great Britain as a special reason for increasing the tariff preference upon British goods. On the other hand, Continental manufacturers see in the modernization and reorganization for mass production of British industry, particularly of the metal trades, a new reason for protection.

SIGNIFICANCE AND DIFFICULTY OF TARIFF READJUSTMENT

The significance of the world-wide movement for the increase of tariff rates need not be overestimated. Modifications in revenue tariffs—the tariffs found throughout Asia, Africa and Latin America, with the exception of Japan, the Union of South Africa and certain colonies of Japan, France and the United States—are of importance only to the consumers. The ministers of finance seldom make the mistake of advancing rates to a point at which consumption is seriously curtailed. Export duties are levied almost exclusively for revenue; in few instances outside of Europe has their purpose been protection of industry or conservation of supplies. With some exceptions similar to those already noted, their introduction, reintroduction or extension show only the regrettable results of fiscal necessities.

Modifications in the rates of protec-

tive tariff systems may also be unimportant. These systems usually include numerous revenue duties, but even in the protective rates, (1) modifications may be too slight in amount, or both the old and the new rates may be too far above or below the "difference in cost of production" to affect the situation; (2) in a period of changing conditions, successive modifications may merely maintain the status quo, or (3) they may decrease or increase the amount of protection, making easier or more difficult the entry of competing foreign goods. The first kind of change has no significance, and the second, only a negative importance. Changes of rates which indicate the adoption or extension of the policy of protection, or its partial or entire abandonment, are alone of great significance in international tariff policy. Most of the recent changes in protective tariff systems have been or have been intended to be of the first or second of the kinds enumerated, and higher tariff rates have been applied largely on the ground that they were necessary—that in a period of increasing prices effective protection could be maintained only by advancing the rates.

The assertion that advancing prices demand the scaling up of specific duties to "their [previous] ad valorem equivalent, which is the measure of protection" is so plausible and so misleading that it calls for brief consideration. Unfortunately, even ad valorem duties do not adjust themselves satisfactorily to changing conditions, and the scientific readjustment of specific rates is no such child's play as the quoted assertion would indicate. The most that can be said for the assertion is that there is a general probability that ad valorem duties, or specific duties increased *pari passu* with the rise of prices, will maintain or increase the effective level of protection. But no general rule can serve as a guide to the

proper "measure of protection." Each industry requires detailed study. As one extreme, a rise in prices will make the protection of some tariff schedules entirely superfluous; and it may be noted that it has been the more recent *decline* in prices, and not the great rise between 1914 and 1920, which has produced the demand for protection in some quarters. In schedules affecting other industries it may be found that specific duties, not unduly large to begin with, maintain a sufficient measure of protection in spite of a doubling or a trebling of the prices; while in still other schedules—the other extreme—a proportionate increase of the duties may prove insufficient. Not only each industry but each period must be studied in making a scientific tariff; for instance, a rise in the cost of flour due to a wheat shortage presumably leaves the effectiveness of a specific duty unimpaired, whereas a rise due to local but not international wage increases presumably requires a readjustment. These observations serve to point out that it would be impossible, except by the combined study of a staff of technical and economic experts, to determine the protective effect of many recent changes, *e.g.*, those of the French tariff.

INDICATIONS OF FUTURE POLICIES

The denunciation, since 1917, of most of Europe's commercial treaties, gives a free hand in the reconstruction period. European statesmen are now under no obligation to treat long lists of foreign countries on the "most-favored-nation" basis, or to grant to certain ones the minimum tariff rates or to refrain in certain cases from increasing the rates of conventional tariffs. The slate is clean, and it remains to be seen whether there will be re-written in large degree the "most-favored-nation" provisions, or whether discriminations and tariff wars are to prevail.

Present indications are that the attempt will be made to work out in each country a flexible system, leaving it free to change its policy at will and in all respects. A striking illustration of the desire for stronger and more flexible tariff provisions is seen in the Japanese anti-dumping law (July, 1920) which provides that "in case of imminent danger to industries of importance in this country by reason of imports of goods at unreasonably low prices" the Commission on Dumping is to impose a special surtax, not exceeding the difference between the reasonable market price and the quoted price. In Australia a bill is pending, whose provisions are somewhat less drastic, and in Great Britain and elsewhere there is an evident disposition on the part of manufacturers to obtain the condemnation, as "dumping," of all importations at prices which they can not meet. That is, if through any change of conditions at home or abroad the tariff fails even temporarily to exclude important importations of foreign goods, they would have them stopped by administrative action. The desire for greater flexibility is seen also in the new intermediate schedule of Australia and in the authorization (1918) of the French government to concede, in negotiating commercial treaties, rates between those of the general and minimum schedules.

A tendency may be noted, especially in the British Dominions, to follow the lead of the United States in establishing a permanent commission for the scientific study of tariff problems. Elsewhere there are semi-permanent and semi-political commissions engaged in tariff revisions. In France the co-efficients of increase are regulated by a large inter-ministerial commission.

The tendency to rely upon other than tariff measures for the control of trade was very pronounced during the war,

when embargoes, prohibitions, licenses, rationing systems, government requisitions, monopolies and price regulations were relied upon. Even the trade of neutrals was controlled through their need of allied shipping and of bunker coal and by blacklisting and financial measures of various kinds. To a considerable degree the war restrictions persist in Europe, though most of them are professedly temporary.

Some of the tendencies toward more drastic control of trade than was afforded by the pre-war tariff systems are:

- (1) The protective and preferential system in regard to dyestuffs, used since the war in the British Empire and now the law of the United Kingdom, is a general prohibition tempered by the licensing of such classes of imports as are not satisfactorily produced within the empire. It is not improbable that the same method be applied to other key industries.

- (2) Government fiscal monopolies, which have concerned chiefly tobacco, matches and salt, have been extended to new objects, especially in Italy.

- (3) There has been considerable development of direct governmental ownership in competitive industries. The British Government has invested millions in the Anglo-Persian Oil Company, in the British Dyestuffs Corporation, and in several minor companies. New South Wales is building ships; Tasmania is developing electrical power; the Australian states are apparently about to organize semi-governmental corporations for the manufacture of woollens. The Australian government also is financing and handling the wheat crop.

- (4) Monopolistic combinations are the order of the day. Since the war huge banking and industrial amalgamations have succeeded one another in Europe, some of them being international in their scope. The German organizations which, at the outbreak of the war, were found in control of the chemical industries, of non-ferrous metals, and of other commodities, were displaced by Allied organizations or governments rather than disintegrated. Com-

bination and monopolization have meant and will mean an extension of government control.

(5) The movement for the nationalization of coal and other commodities means the substitution of direct government action for that of individuals or combinations. Even without nationalization, Great Britain has been supplying coal at three different prices, the lowest (said to be an unprofitable rate) for domestic consumption, and the intermediate for allied countries. Recent international agreements in Europe have enumerated the kinds and quantities of materials or manufactures which the parties to the treaty are to exchange.

(6) Differential export duties, which have been used in the comparatively unimportant Portuguese, Spanish and Italian colonies, have recently been extended in the British colonies in a new and menacing manner. Following the policy which had been abandoned in the Philippine Islands before the war, the British have introduced in certain colonies differential export duties on important raw materials, selecting those in which they have a more or less complete monopoly. In some cases the rates are, or were expected to prove, prohibitive, which was never the case with the Philippine duties. The chief point, however, about these duties, is that their object is not revenue nor is it the control of the shipping and entrepôt trade, or merely the encouragement of general trade with the mother country; but the object is to obtain for the British Empire, insofar as the world is dependent thereon for its raw materials, the monopoly of the industrial processes of tin smelting, expression of palm kernel oil, and the tanning of hides and skins.

To conclude: While protectionist sentiment has been greatly increased by the war, and while there have been increases in most of the world's tariffs within the last two years, the industrial and protectionist nations whose tariff policies are of real significance have removed restrictions upon their freedom of action without, as yet, adopting a permanent policy. The signs indicate a period of exaggerated pro-

tectionism, beginning with high tariff rates, proceeding to more direct and drastic means of excluding foreign competition in manufactured articles, and basing itself finally upon the monopolistic control of the earth's raw materials. The explosive feature of the situation lies in the extension of international monopolies and of direct government control over necessary raw materials—coal, oil, iron, non-ferrous metals, fertilizers, timber, wool, cotton, hemp, jute, hides and vegetable oils. Because of its enormous extent and the number of materials of which it dominates the world's supply, the British Empire—which was allowed to attain such size and importance largely because of its profession and enforcement of a free-trade policy—presents the crux of the present problem. That the right of a sovereign state to pursue a monopolistic policy is legally unassailable offers no solution, for some of the world's most momentous conflicts have grown from the irreconcilability of unassailable legal rights with widespread beliefs in natural rights. But those excluded will not have to base their claims to participation in the distribution of raw materials entirely upon natural rights. As Sig. Tittoni¹ reminded the Council of the League of Nations, the Allies, at the Economic Conference of Paris in 1916, promised

¹ *La Revue de Genève*, November, 1920. Sig. Tittoni says: "One may well ask if it was worth the trouble to make such a fuss before and during the war about German 'dumping' to attain after the war a system of excessive protectionism which renders more uneven pre-existing inequalities [in the natural resources of nations] and creates new ones, multiplying the chances of rivalry and of conflict among the nations." After referring to Article XXIII of the League Covenant, he exclaims: "What irony to look at the actual régime of monopoly and excessive protection! How many obstacles and commercial barriers!"

It is hardly necessary to state that the promise to "open their markets" had nothing to do with free trade; it was followed merely by special concessions to the trade of certain belligerents.

to open their markets reciprocally, and Article XXIII of the Peace Treaty guarantees "freedom of communications and of transit, and equitable treatment for the commerce of all members of the League."

The present drift is toward narrow nationalistic policies and the resultant wars; the situation demands the united consideration and coöperation of the world's most far-sighted and broad-minded statesmen.

Discriminatory Duties on Imports in American Bottoms

By ABRAHAM BERGLUND
United States Tariff Commission

DISCRIMINATORY duties on imports carried in American vessels have been a feature of our tariff legislation from the establishment in 1789 of a national policy governing foreign trade to the present time. During much of this period such duties have, for the most part, been rendered inoperative by reciprocal treaties with practically all the commercial countries of the world, mutually exempting from such discrimination the goods carried in the vessels of the contracting nations, or by provisions in the laws themselves excepting from their enforcement articles imported in the ships of countries levying no discriminatory rates against goods carried to their ports in American bottoms. The Merchant Marine Act recently passed by Congress and signed by the President provides for the termination of treaties or conventions which restrict the right of the United States to impose discriminatory duties in favor of imports entering this country in American vessels. The evident purpose of this enactment is to encourage trade in American bottoms as a means of protecting and enlarging our mercantile marine.

While discriminatory legislation of this character avowedly aims at the establishment and upbuilding of a national mercantile marine, its ultimate object is the development of foreign commerce. The belief that trade fol-

lows the flag and that the vessels flying the flag of a country are agents in the development of its commerce is a popular and deep-seated one, and finds pretty general expression in the commercial policies of the leading countries of the world today. It is, however, in large measure, a survival of a period when the association of a national or communal shipping organization with the development of foreign trade was necessarily closer than at the present time, and when the separation of the functions of common carrier from those of purely mercantile operation had not gone so far as they have today. In the Middle Ages the "active"¹ trade of such commercial cities as Venice and Genoa and of the towns of the Hanseatic League was closely connected with their shipping policies. Thus, at Venice

¹ In mediaeval commerce "active" trade signified the carriage of goods to foreign lands and the establishment there of commercial agencies. It implied the control of the transportation of the articles of commerce to such countries. Where goods were carried by foreigners to one's city or country and commercial transactions carried out by foreign agencies the trade was characterized as "passive." The trade of Venice, for example, with Constantinople, Beirut, Alexandria and northwestern Europe was active—i.e., the articles of commerce were carried to and from these places in Venetian galleys and contracts made through Venetian agents at these ports or regions. The overland trade of Venice with Germany was mainly "passive," as the German brought his goods to the city and carried on his transactions at the *Fondaco dei Tedeschi*.